

**PUBLIC DISCLOSURE**

**FEBRUARY 7, 2012**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**FREEDOM CREDIT UNION**

**CERT # 66824**

**1976 MAIN STREET  
SPRINGFIELD, MA 01101**

**DIVISION OF BANKS  
1000 WASHINGTON STREET  
BOSTON, MA 02118**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

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## **GENERAL INFORMATION**

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act performance of Freedom Credit Union (or the "Credit Union"), prepared by the Division, the institution's supervisory agency as of February 7, 2012.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

Based on the Intermediate Small Institution CRA evaluation procedures specified for institutions with assets of at least \$290 million as of December 31 of both of the prior two calendar years, and less than \$1.116 billion as of December 31 of either of the prior two calendar years, Freedom Credit Union's overall CRA performance is considered Satisfactory. The rating of this institution is established upon a review of the Lending Test and the Community Development Test, as shown below in the public evaluation. The Credit Union achieved "Satisfactory" performance under each of these tests. A summary of the Credit Union's performance is provided below.

#### ***Lending Test***

- The Credit Union's net loan-to-share ratio for the previous eight quarters was 69.0 percent; this ratio is adequate, given the Credit Union's size, financial condition, and the credit needs of its assessment area.
- Lending activity within the Credit Union's assessment area is excellent as 92.5 percent of its HMDA reportable originations were within its assessment area.
- The Credit Union demonstrates an adequate level of lending to members of different income levels.
- The geographic distribution of the Credit Union's HMDA reportable loans reflects an adequate dispersion throughout the assessment area.
- Fair lending policies and practices are considered adequate. No weight was given to complaints, as none have been received by the Credit Union since the prior examination.

#### ***Community Development Test***

- The Credit Union's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through its community development loans, qualified donations and community development services.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Freedom Credit Union was originally chartered in 1922 as the Western Massachusetts Telephone Workers Credit Union. The Credit Union started in a small office in the telephone company building on Worthington Street and is now housed on Main Street in Springfield. In January 2001, membership eligibility was expanded to include anyone who lived or worked in Hampden, Hampshire, Franklin or Berkshire Counties. As of January 31, 2012, the Credit Union has 25,795 members.

Freedom Credit Union is a Massachusetts state-chartered financial institution. The Credit Union is organized for the promotion of thrift among its members by accumulation of their savings and the loaning of such savings to its members. According to the Credit Union's bylaws: "Membership in the Freedom Credit Union is limited to those who are employed by the companies whose primary business is telecommunications or persons employed by organizations operated wholly by and for such employees and those who work or reside in the Hampden, Hampshire, Franklin or Berkshire Counties and the immediate families of such members, except that persons not eligible to membership may have joint accounts with members of the Credit Union for the purpose of deposit and withdrawal only." Companies whose primary business is telecommunications shall mean "any organization or company that provides telephone equipment or transmission equipment or the service, installation, sales or supplies of such equipment involved in the exchange of voice, data or wireless information." Family shall mean "individuals who are related as father, mother, son, daughter, brother, sister, uncle, aunt, cousin, nephew, niece, husband, wife, grandfather, grandmother, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother or half-sister."

The Credit Union's corporate office is located at 1976 Main Street in Springfield, located in a low-income census tract. The Credit Union also operates seven full-service branches located in Chicopee, Easthampton, Feeding Hills, Greenfield, Northampton, Springfield and Turner Falls. Of the seven branches, three are located in moderate-income census tracts, three in middle-income census tracts and one is located in an upper-income census tract. All branch locations have 24 hour drive up Automated Teller Machines (ATMs) and the main office also has a walk-up ATM. Business hours are readily accessible to all members, and all but the main office are open on Saturday from 9:00 a.m. to 1:00 p.m. Freedom Credit Union is a member of the SUM surcharge free ATM network. The Credit Union has one remote ATM located at the Big Y in Springfield.

In June 2009, a branch was opened at 74 Main Street, Greenfield and in September 2009, another branch was opened at 959 Springfield Street in Feeding Hills. In June 2010, the Credit Union opened a branch at 422B Main Street, Easthampton and in June 2011, another branch was opened at 296 Cooley Street in Springfield. The branch located at 217 Greenfield Road in South Deerfield closed in June 2009.

The Credit Union was last examined for compliance with the CRA on December 4, 2008. The examination resulted in a CRA rating of Satisfactory. The Credit Union's assets have increased from \$363 million to \$485 million since the previous examination.

As of December 31, 2011, the Credit Union's asset size was \$484,701,999 with total loans of \$266,370,081 or 55.0 percent of total assets. The Credit Union's net-loan-to-share ratio, as of the same date, was 65.2 percent. First mortgage real estate loans and lines of credit represent the largest portion of loans with 77.9 percent, followed by other real estate loans with 9.9 percent, followed by used vehicle loans with 8.1 percent and new vehicle loans with 1.5 percent.

The following table provides additional details regarding the Credit Union's loan portfolio:

| <b>Table 1</b><br><b>Freedom Credit Union Loan Portfolio Distribution</b>            |                      |                                  |
|--------------------------------------------------------------------------------------|----------------------|----------------------------------|
| <b>Loan Type</b>                                                                     | <b>Dollar Volume</b> | <b>Percentage of Total Loans</b> |
| All Other Unsecured Loans/Lines of Credit                                            | 4,870,346            | 1.8                              |
| New Vehicle Loans                                                                    | 4,113,775            | 1.5                              |
| Used Vehicle Loans                                                                   | 21,527,157           | 8.1                              |
| Total First Mortgage Real Estate Loans/Line of Credit                                | 207,485,037          | 77.9                             |
| Total Other Real Estate Loans/Lines of Credit                                        | 26,368,855           | 9.9                              |
| Total All Other Loans/Lines of Credit                                                | 2,004,911            | 0.8                              |
| <b>Total</b>                                                                         | <b>266,370,081</b>   | <b>100.0</b>                     |
| <i>Source: 5300 Report, Statement of Financial Condition as of December 31, 2011</i> |                      |                                  |

Freedom Credit Union is a full-service financial institution which offers a wide variety of products and services. Savings and checking accounts offered by the Credit Union include share savings accounts, savings certificates, money market, holiday or vacation clubs, NOW checking accounts and Freedom NOW checking accounts. Home financing programs include fixed rate mortgages, adjustable rate mortgages, jumbo mortgages, construction to permanent mortgages, home equity loans and home equity lines of credit. Consumer loans include new and used automobile loans, personal loans, personal credit line, educational loans, VISA credit card, recreational vehicles, construction and land loans. Other services offered by the Credit Union include Roth and Education IRAs, direct deposit, free online banking, free online bill pay, eStatements that allow members to view statements electronically, verify cleared checks and access current and past eStatements; and Memberline which provides the convenience of account access anywhere a touch phone is available to manage accounts, make transfers, check balances and make a check withdrawal.

The Credit Union offers a variety of business banking services such as: basic checking accounts, interest bearing and earnings credit checking, savings accounts, ACH/electronic payments, merchant services, commercial mortgage loans, commercial term loans, special commitment loans, permanent working capital loans, and commercial lines of credit.

In 2004, the Credit Union created the Credit Union Partners (CUPS) program. This is a no-cost comprehensive benefits package offered to companies who wish to provide their employees with additional benefits. A Credit Union representative will come to the workplace to open accounts or answer questions and loan representatives are available for your needs.

The Credit Union maintains a website at [www.freedom.coop](http://www.freedom.coop). The website provides information about branch locations and hours, products and services, on-line services, and other financial services available to customers.

## Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSAs) for statistical reporting purposes by federal agencies.

The Credit Union's assessment area contains 39 cities and towns located in Hampden, Hampshire and Franklin Counties. These include the cities and towns of: Agawam, Chicopee, East Longmeadow, Hampden, Holyoke, Longmeadow, Ludlow, Monson, Palmer, Springfield, Southwick, West Springfield, Westfield and Wilbraham, all located in Hampden County; Amherst, Belchertown, Easthampton, Granby, Hadley, Hatfield, Northampton, Pelham, South Hadley, Southampton, Ware, Westhampton, and Williamsburg all located in Hampshire County; and Bernardston, Colrain, Conway, Deerfield, Gill, Greenfield, Leyden, Montague, Northfield, Shelburne, Sunderland and Whately all located in Franklin County.

Refer to Table 2 for pertinent demographic information concerning the assessment area.

| <b>Table 2<br/>Demographic Information</b>                                 |         |               |                      |                  |                 |
|----------------------------------------------------------------------------|---------|---------------|----------------------|------------------|-----------------|
| Demographic Characteristics                                                | #       | Low<br>% of # | Moderate<br>% of #   | Middle<br>% of # | Upper<br>% of # |
| Geographies (Census Tracts)                                                | 134     | 12.7          | 17.2                 | 44.0             | 25.4            |
| Population by Geography                                                    | 647,249 | 8.9           | 18.7                 | 46.7             | 25.7            |
| Owner-Occupied Housing by Geography                                        | 154,385 | 2.4           | 11.8                 | 54.5             | 31.3            |
| Family Distribution by Income Level                                        | 160,089 | 21.8          | 17.2                 | 22.0             | 39.0            |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 62,490  | 15.8          | 24.4                 | 45.3             | 14.5            |
| Median Family Income                                                       |         | \$51,644      | Median Housing Value | \$128,006        |                 |
| HUD Adjusted Median Family Income for 2010                                 |         | \$67,400      | Unemployment Rate    | 5.5%             |                 |
| HUD Adjusted Median family Income for 2011                                 |         | \$69,300      | (2000 US Census)     |                  |                 |
| Households Below Poverty Level                                             |         | 13.1%         | Dec 2011 Bureau of   | 6.9%             |                 |
| Families Below Poverty Level                                               |         | 9.9%          | Labor Statistics     |                  |                 |

Source: 2000 US Census Data, 2011 HUD updated MFI

As the data in Table 2 shows, the Credit Union's assessment area consists of 134 census tracts, of which there are 17 or 12.7 percent low-income census tracts; 23 or 17.2 percent moderate-income census tract; 59 or 44.0 percent middle-income census tracts; 34 or 25.4 percent upper-income census tract; and one or 0.7 percent not applicable (N/A). The N/A census tract is the University of Massachusetts, located in Amherst.

The assessment area has a total population of 647,249 residing in 160,089 family households. Of all family households in the area, 21.8 percent are low-income, 17.2 percent are moderate-income, 22.0 percent are middle-income, 39.0 percent are upper-income and 9.9 percent are families below the poverty level. Of the 248,249 households, 62,345 or 25.1 percent are low-income and 38,481 or 15.5 percent are moderate-income and 32,418 or 13.1 percent are households that are below the poverty level.

The assessment area consists of 261,673 total housing units, of which 154,385 or 59.0 percent are owner-occupied, 93,677 or 35.8 percent are rental units and 13,611 or 5.2 percent are vacant units. Of the 154,385 owner-occupied housing units, 3,778 or 2.4 percent are in low-income census tracts and 18,209 or 11.8 percent are in moderate-income census tracts. The median housing value in 2000 for the assessment area was \$128,006, and the median age of the housing stock was 41 years.

Regardless of the census tract category in which they are located, low- and moderate-income families represent approximately 21.8 percent and 17.2 percent, respectively, of all families within the Credit Union's assessment area. A closer look at the households in the assessment area reveals that 13.1 percent have income levels below the poverty level and 4.6 percent of households receive some form of public assistance. This poverty rate typically indicates a reduced ability to secure a mortgage loan, thereby reducing a financial institution's ability to penetrate these markets through residential loan products.

The unemployment rate statewide for Massachusetts is 6.9 percent according to December 2011 statistics gathered from the Bureau of Labor Statistics. The unemployment rate for Hampden County for 2011 was 9.2 percent, Hampshire County was 5.9 percent and Franklin County was 6.7 percent. As of December 2011, the unemployment statistics for some of the towns in the assessment area per the Bureau of Labor Statistics were: Chicopee 8.9 percent, Holyoke 10.6 percent, and Springfield 11.8 percent (Hampden County); Amherst 4.8 percent, Easthampton 6.7 percent and Ware 8.9 percent (Hampshire County; and Greenfield 7.1 percent, Montague 8.2 percent and Shelburne 9.6 percent (Franklin County).

## **Community Contacts**

A community contact was conducted with a local nonprofit organization whose mission is to provide affordable housing opportunities, education and support, enabling people to achieve a better future, and promoting vibrant, diverse communities. The contact stated the tornado in June 2011 devastated parts of Springfield, creating more homelessness, and issues continue to plague the city. The contact stated the supply of housing is tight, there are no vacancies, and the cost of renting continues to rise. The contact mentioned they

would like to see more help with mortgage, commercial, and construction lending with competitive rates, as well as investments in low-income tax credits. The contact did mention several large national banks, as well as local financial institutions, which helped in revitalizing Springfield after the tornado. The contact also felt because “they are a large organization,” they received more financial help than the smaller organizations that provide the same services (affordable housing, homebuyer educational classes, and foreclosure counseling).

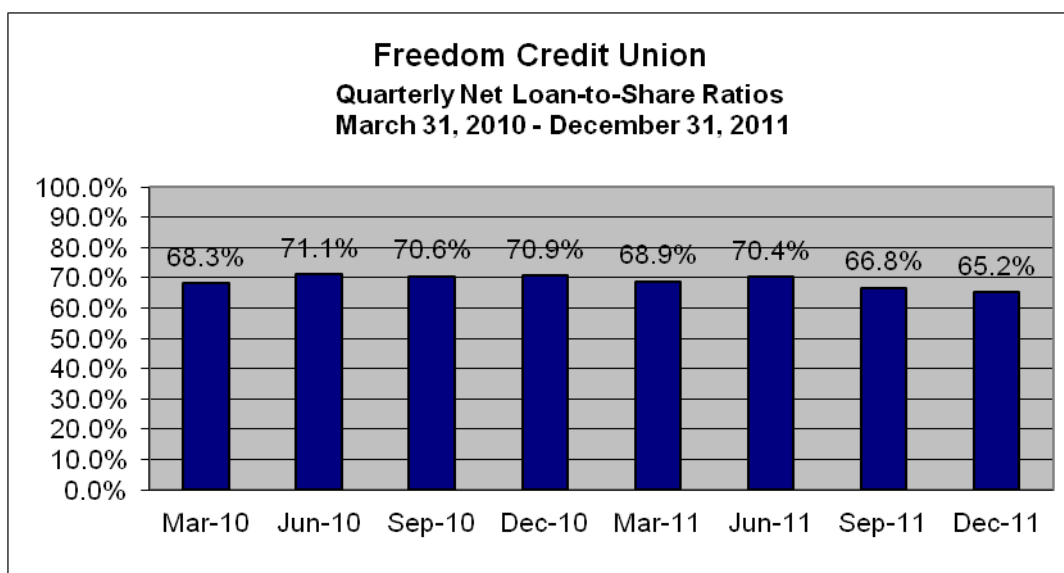


## PERFORMANCE CRITERIA

### LENDING TEST

#### 1. LOAN TO SHARE ANALYSIS

A comparative analysis of Freedom Credit Union's quarterly net loan-to-share (LTS) ratios for the period of March 31, 2010 through December 31, 2011, was conducted during this examination. Using the Credit Union's quarterly Call Reports, the average net loan-to-share ratio for this period was 69.0 percent. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares. The following graph is provided for further analysis.



As shown in the graph above, the Credit Union's net loan-to-share ratio has fluctuated from a high of 71.1 percent in June 2010 to a low of 65.2 percent in December 2011. Net loans have increased 11.7 percent and shares have increased 16.8 percent during this time period.

For comparison purposes, the Credit Union's average net LTS ratio was compared against the average net LTS ratios of four similarly situated institutions (similar asset size and loan portfolio composition).

| Table 3<br>Peer Group Net Loan-to-Share Comparison |                             |                                          |
|----------------------------------------------------|-----------------------------|------------------------------------------|
| Credit Union Name                                  | Total Assets as of 12/31/11 | Average Net LTS Ratio 3/31/10 – 12/31/11 |
| Worker's Credit Union                              | 830,607,791                 | 98.1                                     |
| St. Mary's Credit Union                            | 593,785,880                 | 73.4                                     |
| <b>Freedom Credit Union</b>                        | <b>484,701,999</b>          | <b>69.0</b>                              |
| St. Anne's of Fall River Credit Union              | 778,054,206                 | 66.6                                     |
| Polish National Credit Union                       | 412,349,752                 | 45.9                                     |

Source: NCUA 5300 Statement of Financial Condition as of December 31, 2011

As shown in Table 3 above, the four other credit unions' average quarterly net LTS ratios ranged between 45.9 percent and 98.1 percent. At 69.0 percent, the Credit Union's average LTS is less than two of the similarly situated institutions and higher than the other two financial institutions. Based on the foregoing information, the Credit Union's asset size and resources, and the credit needs of its members, the Credit Union's net loan-to-share ratio is considered adequate.

In 2011 the Credit Union started selling loans in the secondary market. During the examination period, the Credit Union sold 66 loans totaling \$11,770,120 to the Federal Home Loan Bank; 16 loans totaling \$2,610,917 to Mortgage Master; and 2 loans totaling \$211,000 to US Bank, for a total of 84 loans totaling \$14,592,037. This, in addition to the Credit Union's LTS ratio, demonstrates its willingness to reinvest in the community through its lending services.

## 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion measures the percentage of the Credit Union's lending which benefits the assessment area's residents and evaluates the adequacy of such lending. The following table shows the distribution of the Credit Union's lending inside and outside of its assessment area.

Freedom Credit Union's 2010 and 2011 Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the Credit Union's assessment area. During this period, the Credit Union originated 710 HMDA-reportable loans totaling approximately \$110 million. Of these loans, 657 or 92.5 percent were originated inside the Credit Union's assessment area totaling \$99 million or 90.5 percent of the total dollar amount originated.

Refer to the following table for additional information regarding the Credit Union's HMDA reportable lending, by both number and dollar volume.

| <b>Table 4</b>                                                              |                        |             |                |            |              |                                |             |                |            |                |
|-----------------------------------------------------------------------------|------------------------|-------------|----------------|------------|--------------|--------------------------------|-------------|----------------|------------|----------------|
| <b>Distribution of HMDA Loans Inside and Outside of the Assessment Area</b> |                        |             |                |            |              |                                |             |                |            |                |
| <b>Year</b>                                                                 | <b>Number of Loans</b> |             |                |            |              | <b>Dollars in Loans (000s)</b> |             |                |            |                |
|                                                                             | <b>Inside</b>          |             | <b>Outside</b> |            | <b>Total</b> | <b>Inside</b>                  |             | <b>Outside</b> |            | <b>Total</b>   |
|                                                                             | <b>#</b>               | <b>%</b>    | <b>#</b>       | <b>%</b>   |              | <b>\$</b>                      | <b>%</b>    | <b>\$</b>      | <b>%</b>   |                |
| <b>2010</b>                                                                 | 379                    | 92.4        | 31             | 7.6        | 410          | 57,740                         | 91.1        | 5,663          | 8.9        | 63,403         |
| <b>2011</b>                                                                 | 278                    | 92.7        | 22             | 7.3        | 300          | 41,364                         | 89.7        | 4,769          | 10.3       | 46,133         |
| <b>Total</b>                                                                | <b>657</b>             | <b>92.5</b> | <b>53</b>      | <b>7.5</b> | <b>710</b>   | <b>99,104</b>                  | <b>90.5</b> | <b>10,432</b>  | <b>9.5</b> | <b>109,536</b> |

Source: 2010 and 2011 HMDA LARs

As indicated in Table 4, a substantial majority of the Credit Union's loans originated during the examination period were inside the Credit Union's assessment area. Based on the above information, the Credit Union's lending inside its assessment area is considered excellent.

### 3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The Credit Union's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes for 2010 and 2011 were compared to the median family incomes for the Springfield MSA. The income figures are based on median family income derived from data collected during the census for the respective MSA. The income figures are adjusted annually by the Department of Housing and Urban Development to allow for factors such as inflation. The median family incomes for the Springfield MSA for 2010 and 2011 were \$67,400 and \$69,300, respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Table 5 indicates loans originated and categorized by the borrowers' reported income in relation to the median family income for the MSA in which the property is located. The following table also presents the Credit Union's HMDA reportable lending performance as well as the 2010 aggregate data (exclusive of Freedom Credit Union). The table also reflects the percentages of family households in each of the borrower income categories.

| <b>Table 5</b><br><b>Distribution of HMDA Loans by Borrower Income</b><br><b>(Excludes Borrowers for which income is not available)</b> |               |                        |              |                     |              |                        |              |                    |              |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------|------------------------|--------------|---------------------|--------------|------------------------|--------------|--------------------|--------------|
| Median Family Income Level                                                                                                              | % of Families | 2010 Credit Union Data |              | 2010 Aggregate Data |              | 2011 Credit Union Data |              | Credit Union Total |              |
|                                                                                                                                         |               | #                      | %            | #                   | %            | #                      | %            | #                  | %            |
| <b>Low</b>                                                                                                                              | 21.8          | 23                     | 6.1          | 1,153               | 6.6          | 27                     | 9.7          | 50                 | 7.6          |
| <b>Moderate</b>                                                                                                                         | 17.2          | 97                     | 25.6         | 4,051               | 23.2         | 58                     | 20.9         | 155                | 23.6         |
| <b>Middle</b>                                                                                                                           | 22.0          | 102                    | 26.9         | 4,892               | 28.1         | 91                     | 32.7         | 193                | 29.4         |
| <b>Upper</b>                                                                                                                            | 39.0          | 157                    | 41.4         | 7,348               | 42.1         | 102                    | 36.7         | 259                | 39.4         |
| <b>Total</b>                                                                                                                            | <b>100.0</b>  | <b>379</b>             | <b>100.0</b> | <b>17,444</b>       | <b>100.0</b> | <b>278</b>             | <b>100.0</b> | <b>657</b>         | <b>100.0</b> |

Source: 2010 and 2011 HMDA LARs, HMDA Aggregate for 2010, and 2000 US Census Data

As reflected in the table above, the Credit Union's distribution of loans to low-income borrowers, at 6.1 percent, is slightly below the aggregate of 6.6 percent. It is not expected that the percentage of lending would be comparable with the percentage of low-income families (21.8 percent) in the area as approximately 60 percent of low-income families are below the poverty level. According to 2000 U.S. Census data, 13.1 percent of all households and 9.9 percent of all families in the assessment area are below the poverty level and would have difficulty in seeking home financing. In addition, home purchase prices in the area undoubtedly present an obstacle in achieving homeownership for many low-income families.

In 2010, the Credit Union originated 25.6 percent of total loans to moderate-income borrowers, which was higher than the aggregate of 23.2 percent and was significantly higher than the percentage of moderate-income families at 17.2 percent.

In 2011, the Credit Union's overall performance for the low-income borrowers increased to 9.7 percent, while moderate-income borrowers decreased to 20.9 percent. As mentioned previously, home prices are still considered high and largely out-of-reach for most low- and moderate-income borrowers.

The Credit Union's performance in lending to borrowers of different incomes, especially to those of low and moderate-income, reflects an adequate performance.

#### 4. GEOGRAPHIC DISTRIBUTION

This criterion evaluates the distribution of the Credit Union's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. As mentioned previously under the *Description of Assessment Area*, the Credit Union's assessment area comprises 134 census tracts, of which 17 are low-income, 23 are moderate-income, 59 are middle-income, 34 are upper-income census tracts and 1 is N/A.

The following table illustrates the geographic distribution of the Credit Union's 2010 and 2011 HMDA reportable lending performance within the assessment area by number. For comparison purposes, the table includes the percentage of owner-occupied housing units within each income category and the aggregate market lending data for 2010.

| <b>Table 6</b><br><b>Distribution of HMDA Loans by Census Tract Income Level</b> |                                         |                        |              |                     |              |                        |              |                    |              |
|----------------------------------------------------------------------------------|-----------------------------------------|------------------------|--------------|---------------------|--------------|------------------------|--------------|--------------------|--------------|
| Census Tract Income Level                                                        | % of Total Owner Occupied Housing Units | 2010 Credit Union Data |              | 2010 Aggregate Data |              | 2011 Credit Union Data |              | Credit Union Total |              |
|                                                                                  |                                         | #                      | %            | #                   | %            | #                      | %            | #                  | %            |
| Low                                                                              | 2.4                                     | 4                      | 1.1          | 295                 | 1.5          | 3                      | 1.1          | 7                  | 1.1          |
| Moderate                                                                         | 11.8                                    | 30                     | 7.9          | 1,783               | 9.0          | 22                     | 7.9          | 52                 | 7.9          |
| Middle                                                                           | 54.5                                    | 205                    | 54.1         | 10,434              | 52.8         | 147                    | 52.9         | 352                | 53.6         |
| Upper                                                                            | 31.3                                    | 140                    | 36.9         | 7,242               | 36.7         | 106                    | 38.1         | 246                | 37.4         |
| <b>Total</b>                                                                     | <b>100.0</b>                            | <b>379</b>             | <b>100.0</b> | <b>19,754</b>       | <b>100.0</b> | <b>278</b>             | <b>100.0</b> | <b>657</b>         | <b>100.0</b> |

Source: 2010 and 2011 HMDA LARs, HMDA Aggregate for 2010 and 2000 U.S. Census Data

As shown in Table 6 above, 4 or 1.1 percent of the Credit Union's HMDA loans in 2010 were originated within low-income census tracts. This is slightly below the aggregate lending of 1.5 percent and is also below the percentage of owner-occupied housing units within these tracts (2.4 percent). The Credit Union's lending performance in 2011 remained the same as 1.1 percent of the Credit Union's loans originated in low-income census tracts.

The Credit Union originated 30 or 7.9 percent of its HMDA-reportable loans within moderate-income tracts in 2010. This is below both the performance of the aggregate lenders (9.0 percent) and the percentage of owner-occupied units within these tracts

(11.8 percent). Again, lending remained constant in 2011, (7.9 percent) for the Credit Union's lending in moderate-income census tracts.

An analysis of the Credit Union's residential mortgage originations in 2010 indicates that 54.1 percent were originated in middle-income census tracts. The Credit Union's performance was higher than the aggregate data (52.8 percent) within the assessment area. The strong performance in the middle-income census tracts is not surprising considering that these census tracts contain 54.5 percent of the area's owner-occupied housing units. The upper-income census tracts accounted for the remaining loan volume at 36.9 percent.

Based on the above information, the Credit Union's distribution of HMDA reportable loans by census tract income level reflects an adequate dispersion of loans throughout the assessment area.

## **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICES AND PRACTICES**

The Credit Union's Fair Lending Policy was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. A review of the Credit Union's public comment file indicated that the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no violations of the anti-discrimination laws and regulations were identified.

Freedom Credit Union has a written Fair Lending Policy within their loan policy. Included in this policy are the Credit Union's efforts to eliminate discrimination in all aspects of lending. The Credit Union annually provides fair lending training to all employees and Board Members.

The Credit Union has a second review for denied loan applications. All denied loans are reviewed by the Mortgage Manager or Vice President of Lending for all real estate related loans.

The Credit Union has nine employees who are bilingual to help non-English speaking customers of the Credit Union. Second languages include Arabic, French, Lithuanian, Polish, Portuguese, Spanish and Russian.

## **MINORITY APPLICATION FLOW**

The Credit Union's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2010. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicants. The Credit Union's performance was consistent with the 2010 aggregate's performance level for minority applicants but was lower than the aggregate for ethnicity. The Credit Union received 5.6 percent of its applications from minorities while the aggregate was 5.7

percent. The Credit Union received 3.9 percent Hispanic applications while the aggregate received 5.1 percent.

Freedom Credit Union received 831 HMDA reportable loan applications from within its assessment area in 2010 and 2011. Of these applications, 40 or 4.8 percent were received from minority applicants, of which 27 or 67.5 percent resulted in originations. The Credit Union also received 30 HMDA reportable applications or 3.6 percent from ethnic groups of Hispanic origin within its assessment area, of which 18 or 60.0 percent resulted in originations. Refer to the following table for information on the Credit Union's minority application flow as well as a comparison of the aggregate lenders throughout the Credit Union's assessment area. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Credit Union received from minority applicants.

| <b>MINORITY APPLICATION FLOW</b> |                              |              |                                |              |                              |              |                               |              |
|----------------------------------|------------------------------|--------------|--------------------------------|--------------|------------------------------|--------------|-------------------------------|--------------|
| <b>RACE</b>                      | <b>Credit Union<br/>2010</b> |              | <b>2010 Aggregate<br/>Data</b> |              | <b>Credit Union<br/>2011</b> |              | <b>Credit Union<br/>Total</b> |              |
|                                  | <b>#</b>                     | <b>%</b>     | <b>#</b>                       | <b>%</b>     | <b>#</b>                     | <b>%</b>     | <b>#</b>                      | <b>%</b>     |
| American Indian/ Alaska Native   | 1                            | 0.2          | 59                             | 0.2          | 1                            | 0.3          | 2                             | 0.2          |
| Asian                            | 1                            | 0.2          | 444                            | 1.5          | 2                            | 0.5          | 3                             | 0.4          |
| Black/ African American          | 20                           | 4.3          | 821                            | 2.9          | 11                           | 3.0          | 31                            | 3.7          |
| Hawaiian/Pac Isl.                | 0                            | 0.0          | 34                             | 0.1          | 0                            | 0.0          | 0                             | 0.0          |
| 2 or more Minority               | 0                            | 0.0          | 9                              | 0.1          | 0                            | 0.0          | 0                             | 0.0          |
| Joint Race (White/Minority)      | 4                            | 0.9          | 252                            | 0.9          | 0                            | 0.0          | 4                             | 0.5          |
| <b>Total Minority</b>            | <b>26</b>                    | <b>5.6</b>   | <b>1,619</b>                   | <b>5.7</b>   | <b>14</b>                    | <b>3.8</b>   | <b>40</b>                     | <b>4.8</b>   |
| White                            | 430                          | 92.3         | 22,502                         | 78.6         | 322                          | 88.2         | 752                           | 90.5         |
| Race Not Available               | 10                           | 2.1          | 4,505                          | 15.7         | 29                           | 8.0          | 39                            | 4.7          |
| <b>Total</b>                     | <b>466</b>                   | <b>100.0</b> | <b>28,626</b>                  | <b>100.0</b> | <b>365</b>                   | <b>100.0</b> | <b>831</b>                    | <b>100.0</b> |
| <b>ETHNICITY</b>                 |                              |              |                                |              |                              |              |                               |              |
| Hispanic or Latino               | <b>13</b>                    | <b>2.8</b>   | <b>1,176</b>                   | <b>4.1</b>   | <b>8</b>                     | <b>2.2</b>   | <b>21</b>                     | <b>2.5</b>   |
| Not Hispanic or Latino           | 411                          | 88.2         | 22,640                         | 79.1         | 314                          | 86.0         | 725                           | 87.3         |
| Joint (Hisp/Lat /Not Hisp/Lat)   | <b>5</b>                     | <b>1.1</b>   | <b>275</b>                     | <b>1.0</b>   | <b>4</b>                     | <b>1.1</b>   | <b>9</b>                      | <b>1.1</b>   |
| Ethnicity Not Available          | 37                           | 7.9          | 4,535                          | 15.8         | 39                           | 10.7         | 76                            | 9.1          |
| <b>Total</b>                     | <b>466</b>                   | <b>100.0</b> | <b>28,626</b>                  | <b>100.0</b> | <b>365</b>                   | <b>100.0</b> | <b>831</b>                    | <b>100.0</b> |

Source: 2010 and 2011 HMDA/ LAR, 2010 HMDA Aggregate Data

The Credit Union's LARs for 2010 and 2011 were reviewed to determine if the application flow from the different racial groups within the Credit Union's assessment area was reflective of the area's demographics. The Credit Union's assessment area contains 647,249 individuals, 135,255 or 20.9 percent whom are minorities. The assessment area's minority and ethnic population is 0.2 percent Native American, 1.8 percent Asian, 5.7 percent African American, 11.6 percent Hispanic or Latino, 0.1 percent Hawaiian/Pacific Islander and 1.5 percent other.

The Credit Union's minority application flow is deemed adequate.

## COMMUNITY DEVELOPMENT TEST

Freedom Credit Union's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area. The Credit Union has met these community development needs through the provision of community development loans, qualified donations and community development services. For purposes of this examination, the period used for the Community Development Test was December 5, 2008 through February 7, 2012.

### Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Credit Union for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Credit Union's assessment area or a broader statewide or regional area that includes the Credit Union's assessment area.

The following describes the community development loans the Credit Union originated during the evaluation period:

#### ***Small Business Loans***

- *SBA Loan Programs:* The Small Business Administration (SBA) can guarantee as much as 85 percent on loans up to \$150,000 and 75 percent on loans more than \$150,000. SBA 7(a) loans have a maximum loan amount of \$2 million and SBA Express loans have a maximum guaranty set at 50 percent. The Credit Union offers SBA 7(a), SBA Express, SBA Patriot Express and SBA CDC 504 loan programs. These programs offer financing for qualified businesses that may not be eligible for traditional bank financing. Freedom Credit Union originated six SBA loans totaling \$827,500 during the evaluation program through the SBA 7(a) and the SBA Express/Patriot Express loan programs.
- The SBA 7(a) program offers smaller down payments, flexible terms, and guarantees that assist small businesses in opening, expanding, or continuing their business. During the evaluation period, the Credit Union originated 1 loan totaling \$137,500 through this program.
- The SBA Express program applies to loans up to \$350,000 with a maximum SBA guaranty of 50 percent. This program makes it easier and faster for lenders to provide small business loans; allows lenders to use their own forms and processes and provides a rapid response from the SBA (within 36 hours from a completed application); and helps lenders provide small revolving loans. The Credit Union originated three loans totaling \$129,000 through this program during the evaluation period.
- The Patriot Express is a pilot loan program initiated for veterans and members of the military community wanting to establish or expand a small business. During the evaluation period the Credit Union originated two loans totaling \$534,000.

## **Qualified Investments**

A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, membership share, donation or grant that has community development as its primary purpose.

During the examination period, Freedom Credit Union made a total of \$199,945 in charitable donations, of which \$64,204 or 32.1 percent went to organizations that promote education, youth programs and health and human services for individuals in need. The following are examples of organizations that have received benefit from the Credit Union's efforts.

**Friends of the Homeless, Inc. (FOH)** – FOH is the largest emergency shelter for adult individuals providing services aimed at ending homelessness. FOH operates 110 low-income housing units.

**The Food Bank of Western Massachusetts** – Incorporated in 1982, the food bank provided about 630,000 pounds of food to local communities to reduce hungry and increase food security. Today they provide over 7.7 million pounds of food and have embarked on new areas of development. Some of the new programs created are: Brown Bag Food for Elders; Springfield Food Access Project, Supplemental Nutrition Assistance Program, formerly known as food stamps and food distribution and delivery services.

**Cherish the Children Foundation** – This organization's mission is to make a difference in the lives of underprivileged children, especially foster children and children of the working needy.

**Safe Passage** – This organization is committed to ending violence and oppression in women's lives. All Safe Passage programs are free, accessible and confidential. Services include shelter, peer-support, counseling, education, advocacy, legal support and community education.

**Agawam Small Business Assistance Center (ASBAC)** – ASBAC's mission is to promote the growth, development and retention of businesses in Agawam and the surrounding communities by providing counseling, workshops and other services for local entrepreneurs and businesses.

**Grove Street Inn** – Established in 1990, the Inn shelters up to 20 homeless men and women per night, for a maximum stay of three months. A bed and three meals are provided, along with staff support.



## **Community Development Services**

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance.

The Credit Union's staff has demonstrated its commitment to the assessment area by volunteering their time and financial expertise to numerous community-oriented organizations and programs that provide community based services. The following are a few examples of the Credit Union's participation with various organizations which have benefited the community.

**Service Core of Retired Executives (SCORE)** – SCORE mentors deliver free, confidential, valuable advice to local businesses. Whether it is a start-up company or an existing business, SCORE mentors help entrepreneurs start small businesses and achieve new levels of success in their existing businesses. The Commercial Loan Officer volunteers as a Mentor and also serves on the Board of Directors.

**United Way, Community Investment Division** – The Community Investment Division is assigned specific programs within a funding category (children/youth at risk, elder programs, programs for families, food/shelter programs or health/wellness programs). Volunteers work with United Way staff to review applications, attend meetings and site visits to agencies and make recommendations based on their expertise for funding decisions and recommendations. The Business Development Officer is a volunteer reviewer for the Community Investment Committee.

**Central Credit Union Fund Charitable Foundation** – Established in 2008, the Trust was established to issue grants to credit unions to perpetuate credit unions, education of members and financial literacy. The CEO is the Chairman of the Board.

**Credit for Life Fair** – The Fair teaches students the basics of housing, employment, transportation, insurance and credit that they will need to apply in the future. The Business Development Officer is the Co-Chairman for the Executive Committee.

## **Educational Seminars and Services**

In 2006 the Credit Union established a "School Banking Program." The Credit Union developed a financial literacy program and each program is personalized by each school that has joined the program. The Credit Union gives each child the initial membership deposit to establish the share savings account. The Credit Union staff will go to each school to accept deposits and issues receipts. Once a month the Credit Union staff will come back to the classrooms to review bank statements with the students, explain deposits and interest earned. The Credit Union staff also works with teachers in preparing a lesson plan regarding saving for the future.

In 2009, the Credit Union partnered with the Samuel Bowles School in Springfield to become a part of the "Springfield Partners in Education Program." The Credit Union will provide financial literacy workshops. One of the mission's of the Springfield Partners is

to help people establish household budgets, create savings accounts, reduce debt and build and maintain good credit scores.

Each year the Credit Union participates in two Credit for Life fairs to teach high school juniors how to budget, save, invest and reduce debt by providing them with real life scenarios and showing students how their decisions can impact their financial future.

### **Other Services**

On June 1, 2011, a tornado touched down on the city of Springfield and a second tornado hit a few hours later in Westfield, causing a state of emergency for Massachusetts. The Credit Union created a special loan type to aid members affected by the tornado. The loans are unsecured home improvement loans with five year amortization periods and members could borrow up to \$15,000.

## **APPENDIX GENERAL DEFINITIONS**

### **Geography Terms**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

### **Housing Terms**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **Income Terms**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **Other Terms**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 1976 Main Street, Springfield, MA 01101

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing.

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.